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FISCAL IMPACT STATEMENT

LS 7370

BILL NUMBER: HB 1412

NOTE PREPARED: Jan 9, 2009

BILL AMENDED:

SUBJECT: Incentives for Alternative Energy Purchases.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that purchases of energy, capacity, or renewable energy credits from alternative energy sources are eligible for the financial incentives available for clean coal and energy projects. It specifies that "clean coal and energy projects" includes projects at new or existing energy facilities that involve carbon dioxide capture, storage, and sequestration. It requires the Indiana Utility Regulatory Commission (IURC) to allow an energy utility that purchases alternative energy to recover any costs arising under the purchase contract through rate adjustments.

It provides that, regardless of changes in market conditions or other circumstances, the IURC (or any other state agency or local governmental unit) may not take any action during the term of an alternative energy purchase contract that adversely affects an energy utility's right to timely recover the utility's costs under the contract.

This bill defines an alternative energy property interest as a right, title, and interest that: (1) is held by an energy utility; (2) is created by a qualified order of the IURC; and (3) entitles the energy utility to recover certain costs incurred in purchasing alternative energy under a qualified contract.

It sets forth provisions governing: (1) the assignment of an alternative energy property interest; (2) the rights of assignees, financing entities, and alternative energy sellers; (3) the perfection of a lien and security interest in an alternative energy property interest; and (4) the obligations of an energy utility after the assignment of an alternative energy property interest.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill will increase administrative expenditures of the Indiana

Utility Regulatory Commission (IURC) by requiring the IURC to evaluate applications to determine eligibility for the financial incentives. It is estimated that the IURC will be able implement this provision with its existing level of resources.

State & Local Utility Expenditures: This bill could also increase expenditures by state agencies for utilities to the extent that the provisions allowing for cost recovery would increase utility rates. The overall impact on expenditures is indeterminable.

Explanation of State Revenues: *Utility Rate Increases:* It is estimated that utility rates could increase under the bill due to the provision allowing for cost recovery associated with purchase of energy, capacity, RECs, and certain costs incurred in purchasing alternative energy under a qualified contract.

To the extent that any of these provisions increase utility rates, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The amount of any increase is indeterminable and will depend on rate adjustments allowed by the IURC for cost recovery.

Background Information -The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues: See *Explanation of State Revenues*.

State Agencies Affected: IURC, All.

Local Agencies Affected: Municipally owned utilities.

Information Sources:

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